



# RESTORING THE TRUST

FOR ALL GENERATIONS

Committee on the Budget  
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## POLICY BRIEF

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### PRINCIPLES FOR POLICY SOLUTIONS RETHINKING OVERBEARING NATIONAL GOVERNMENT

During the twentieth century, the Federal Government developed a range of health, retirement, and economic security programs that established the fabric of America's safety net. While they started off limited in size – both in terms of the number of individuals they served and the funds needed to sustain them – they have grown larger over time and now make up the vast majority of the Federal budget.

The unsustainable growth of these programs is undermining their ability to serve current and future Americans. The driving factor behind this growth has been the mechanism employed to budget for them, namely automatic spending practices.<sup>1</sup> These spending practices, along with flawed governance, has led to programs that require burdensome regulation, inefficient top-down administration, and inflexible and complex policy structures. This has resulted in programs that are letting down the very people they are intended to serve.

A few examples:

- In Medicare, government bureaucrats determine what benefits enrollees are entitled to, and the program's administrative pricing system distorts costs and services throughout the entire health care sector.
- The Medicaid program keeps low-income participants in a system in which many of them cannot get a regular doctor's appointment because it grossly underpays medical providers, driving many patients to the least efficient and most expensive care setting, the emergency room.
- The Affordable Care Act health insurance exchanges have seen lower-than-projected enrollment, as the law's burdensome regulations have created a marketplace in which too many cannot find a plan that offers enough value for the price.

#### Principles for Saving and Strengthening America's Health, Retirement and Economic Security Programs

- *Expand Choices*
- *Restore Market Forces*
- *Foster Competition*
- *Provide Flexibility*
- *Promote Innovation*
- *Encourage Self-Sufficiency*
- *Engage the Spirit of Federalism*

<sup>1</sup> See the Committee on the Budget, *Source of the Government's Fiscal Problem: Reckless Automatic Spending*, Policy Brief Volume 1, Number 2, 26 October 2015.

Restoring the Trust for All Generations is an initiative of the Committee on the Budget, U.S. House of Representatives, aimed at promoting innovative solutions for keeping the promises of the Federal Government's health, retirement, and income security programs. This Policy Brief is one of a series of short pieces summarizing key fiscal and policy issues related to the project. For more information on the initiative, visit [Budget.House.Gov/RestoringTheTrust](http://Budget.House.Gov/RestoringTheTrust).

- The Social Security program is projected to be insolvent by 2035.
- Despite 6.8-percent annual spending growth in anti-poverty programs over the past decade, poverty has persisted. The poverty rate reached 14.8 percent in 2014, up from 12.5 percent in 2007. Today, the Federal Government runs more than 80 welfare programs that lack coordination in their efforts to help people escape poverty. The structure of anti-poverty programs places harsh anti-marriage and work penalties on those who currently depend on these programs. This has the effect of trapping people into dependency, rather than boosting them up toward self-sufficiency.
- Federal student loan programs fuel rising tuition costs. For every \$1 increase in Federal loans, tuition increases by \$0.65. The resulting student loan debt burden forces many younger Americans to delay purchasing a first home, getting married, or starting a family.

The first step in fixing these problems is to reconsider the premises under which these programs were developed – especially their highly regulated, Washington-centered strategies. This requires innovative thinking outside the rigid parameters of central government programs. To be sure, the Federal Government has a valid role in supporting creative policy strategies. Often, however, the most effective support will result from removing bureaucratic barriers. A wide variety of policy innovations can be developed from a brief set of guiding principles, many of which overlap and interact with one another. These include the following:

***Expand Choices.*** Individuals and families would benefit greatly from having more options in their choices for health care, retirement, income support, and student loans. They would not be bound by the limited choices dictated from Washington, and could more readily find services best suited to their particular needs beyond the public sector.

***Restore Market Forces.*** Government directives – such as Medicare’s top-down administrative pricing systems – stifle the natural mechanism in which services and prices develop in response to the millions of independent choices of individuals and families. Restoring these market forces is key to providing better services at lower costs.

***Foster Competition.*** Expanding choices and restoring market forces revolve around competition. Competition encourages an expansion of providers, each seeking to offer a greater range of services at a lower cost. Government programs are, by their nature, precisely the opposite; they only smother competition, resulting in artificially higher costs for fewer services.

***Provide Flexibility.*** Whether in government or private-sector services, providers must be able to adapt to the variety of needs expected within a highly diverse, and constantly changing society. This requires an openness to different ways of providing similar services.

***Promote Innovation.*** In the private sector, market forces constantly churn out new products and services that improve efficiency, in terms of both time and cost. In some cases, they revolutionize an entire industry by more successfully meeting the needs of consumers. Government policies should promote exploration of new combinations of disciplines and technologies to break through the typical barriers to creativity while seeking new ways of providing services.

***Encourage Self-Sufficiency.*** In providing support for people in need, many public assistance programs discourage people from working or penalize marriage and family stability – thus making it

harder to escape poverty. Government programs should focus not merely on sustaining people, but on empowering them to reclaim their own lives and independence.

***Engage the Spirit of Federalism.*** As America's Founders recognized, the most responsive public officials are those closest to the people they serve – whether the local school board, the city council, or governors and State legislatures. For far too long, Washington has encroached on the creativity of these institutions, depriving Americans of a wide variety of potential solutions to policy challenges. State and local governments should assert themselves, striving to reclaim their proper roles in America's carefully designed federal system.

These principles have formed the foundation of America's heritage for more than two-and-a-half centuries, and have endured through the Nation's trials and triumphs. They will restore trust in America's future as well.